Skloff Financial Group

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Question of the Month

By Aaron Skloff, AIF, CFA, MBA

Q: We read 'How to Get the Most Out of Trump Accounts' Part 1 and Part 2. Can you give an example of the accumulation and distribution phases of Trump Accounts and how to get the most out of them?

The Problem — Navigating Complex Tax Rules and Compound Growth of Trump Accounts
While Part 1 and Part 2 established the foundational rules of Section 530A Trump Accounts, achieving maximum wealth transfer requires a precise mathematical roadmap. Without proactive execution, ongoing investment growth inside the account quickly outpaces lower tax brackets, forcing high-tax distributions later in adulthood.

The Solution — Optimizing the Accumulation and Distribution Phases of Trump Accounts
To achieve complete tax efficiency, account holders must orchestrate a 3-Phase lifecycle strategy. Our numerical model assumes a $1,000 government seed, $5,000 base family contributions escalating with inflation per IRC §530A(c)(2)(B), an 8% average return, and a starting college graduate salary of $61,532 (median for 2026, inflated at 3% per year).

1. Accumulation Phase (Ages 1–17): Building Basis and Tax-Deferred Growth
Family contributions scale from $5,000 to $8,000 annually, building $108,000 in non-taxable cost basis. At an 8% return, the total account compounds tax-deferred to $222,180 by Age 17. Under IRS pro-rata rules, each conversion carries a proportional mix of tax-free cost basis (48.6%) and taxable pre-tax earnings/seed (51.4%).

SECTION 530A TRUMP ACCOUNTS: ACCUMULATION PHASE (AGES 1–17)

Metric / Age	Age 1	Age 2	Age 3	Age 4	Age 5	Age 6	Age 7	Age 8	Age 9	Age 10	Age 11	Age 12	Age 13	Age 14	Age 15	Age 16	Age 17
Annual Contribution (Gov Seed - Pre-Tax, no basis)	$1,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Annual Contribution (Parents - After-Tax, creates basis, escalating)	$5,000	$5,000	$5,300	$5,400	$5,600	$5,700	$5,900	$6,100	$6,300	$6,500	$6,700	$6,900	$7,100	$7,300	$7,500	$7,700	$8,000
Growth Rate	4.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Beginning Balance	$0	$6,240	$12,139	$18,834	$26,173	$34,315	$43,216	$53,045	$63,877	$75,791	$88,875	$103,220	$118,930	$136,113	$154,886	$175,376	$197,722
Annual Investment Growth	$240	$899	$1,395	$1,939	$2,542	$3,201	$3,929	$4,732	$5,614	$6,583	$7,646	$8,810	$10,082	$11,473	$12,991	$14,646	$16,458
Ending Balance	**$6,240**	**$12,139**	**$18,834**	**$26,173**	**$34,315**	**$43,216**	**$53,045**	**$63,877**	**$75,791**	**$88,875**	**$103,220**	**$118,930**	**$136,113**	**$154,886**	**$175,376**	**$197,722**	**$222,180**
Cumulative Basis (After-Tax Contributions Only)	$5,000	$10,000	$15,300	$20,700	$26,300	$32,000	$37,900	$44,000	$50,300	$56,800	$63,500	$70,400	$77,500	$84,800	$92,300	$100,000	$108,000

The Strategic Triad — Systematic Roth Conversions Across Early Adulthood
2. College Phase (Ages 18–21): Navigating Kiddie Tax Rules — Conversions are capped precisely at the Kiddie Tax parent-rate cliff ($4,463–$4,877 taxable income), filling the 0% floor and 10% child tier ($934 total tax across 4 years; 2.8% rate) while completely avoiding parent rate spikes.

3. Early Career Phase (Ages 22–23): Rapid Liquidation and Lifetime Roth Rollover — Entering the workforce at a $114,468 starting salary, conversions fill up to the top of the 22% bracket ceiling. This completely liquidates the traditional account balance to **$0 by Age 23** ($37,626 total lifetime tax paid from outside family gifts).

Post-Age 23 Lifetime Compounding — With the traditional account fully converted to $0, **$0 in further conversion taxes is ever owed**. The Roth IRA continues to compound 100% tax-free, growing from **$275,000+ at Age 23** to over **$370,000+ by Age 27** and millions by retirement.

SECTION 530A TRUMP ACCOUNTS: CONVERSION & ROTH STRATEGY PHASE (AGES 18–27)

Metric / Age	Age 18	Age 19	Age 20	Age 21	Age 22	Age 23	Age 24	Age 25	Age 26	Age 27
Life / Tax Phase	Dependent / Student (Kiddie	Dependent / Student (Kiddie	Dependent / Student (Kiddie	Dependent / Student (Kiddie	Independent (Salary)	Independent (Salary)	Independent (Salary)	Independent (Salary)	Independent (Salary)	Independent (Salary)
Salary Earned (Median, 3%/yr Escalated)	$0	$0	$0	$0	$114,468	$117,902	$121,439	$125,082	$128,834	$132,699
Traditional Account Balance Before Conversion	$222,180	$230,576	$239,995	$250,428	$261,886	$94,438	$0	$0	$0	$0
Roth Conversion Amount (Gross)	$8,684	$8,359	$8,117	$7,941	$174,443	$94,438	$0	$0	$0	$0
Taxable Portion of Conversion	$4,463	$4,597	$4,734	$4,877	$112,116	$63,196	$0	$0	$0	$0
Income Tax Owed on Conversion (Paid from Outside Funds)	$223	$230	$237	$244	$23,741	$12,951	$0	$0	$0	$0
Ending Traditional Balance (Next Year Beginning)	$230,576	$239,995	$250,428	$261,886	$94,438	$0	$0	$0	$0	$0
Cumulative Roth Balance (Converted Funds, Tax-Free Growth)	**$9,379**	**$19,156**	**$29,455**	**$40,388**	**$232,018**	**$352,572**	**$380,778**	**$411,240**	**$444,139**	**$479,671**
Cumulative Tax Paid to Date	$223	$453	$690	$934	$24,675	$37,626	$37,626	$37,626	$37,626	$37,626

Action Step — Get the Most Out of Trump Accounts
Work closely with your Registered Investment Adviser (RIA) to optimize your contributions and withdrawals from Trump Accounts in the context of your financial plan.

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